



ARIZONA STATE RETIREMENT SYSTEM (ASRS) GENERAL INFORMATION REGARDING PURCHASE OF SERVICE CREDIT

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If you are an active, contributing member of the ASRS or you are receiving a Long Term Disability benefit through the ASRS, you are entitled to purchase certain types of service credit to be applied towards your retirement benefits. Members will receive a maximum of one year of service credit for each year purchased regardless of the type of service or the number of employers.

For the following options, **Approved Unpaid Leave of Absence, Military Service (includes National Guard and Military Reserve), Other Public Service, and Other Public Service Non-participatory**, the ASRS will use the Actuarial Present Value (APV) calculation method to determine the cost of your service purchase request. APV is defined as the value of the benefit in terms of the amount of money the ASRS must have on hand today to pay for the benefit in the future. Factors used in this calculation are your age, annual compensation, years of credited service, and the number of years of service credit you requested to purchase.

- **Approved Unpaid Leave of Absence**

If you took an approved, unpaid leave of absence while you were with an ASRS employer, you may purchase this service under the following guidelines:

- You may purchase up to one year of service credit for each approved period of unpaid leave.
- You must not have received a return of your contributions from the ASRS.
- You must have returned to work with the same ASRS employer at the end of your leave unless the position was no longer available or you were disabled and could not return to work.
- Employer's certification that leave of absence benefited or was in the best interest of the employer.
- You may purchase this service credit at any time after returning to work with an ASRS employer.

- **Military Service**

You may purchase service credit for active military duty if you have been honorably discharged from the U.S. Armed Forces. You may purchase service credit for National Guard and reserve time, for time served in the U.S. military, including the Air Force Reserve, Air National Guard, Army Reserve, Army National Guard, Naval Reserve, U.S. Coast Guard Reserve, and the Marine Forces Reserve.

To purchase these service credits, you must provide proof of the time served by submitting the appropriate military service record (DD-214 or its equivalent).

- **Other Public Service Employment**

You may purchase service credit for any time during which you were a participant in another public retirement plan in the United States (including the District of Columbia) or U.S. territories. A public retirement plan is a plan sponsored by the United States government, a state of the United States or political subdivision of a state of the United States. You may not purchase service credit if you are currently receiving or have received a benefit under another public retirement plan. To purchase eligible service credit you must first relinquish your retirement rights to that public plan. You may roll over funds from another eligible plan to purchase service with the ASRS.

You may also purchase service credit for time you worked for another public employer when you were not participating in any public retirement system.

NOTE: Contributions Not Withheld

All ASRS employers are required to withhold retirement contributions if an employee worked 20 or more hours per week for 20 or more weeks in a fiscal year. Contributions Not Withheld (CNW) is not a purchase of service credit; it is a correction of a reporting error that can occur when retirement contributions are not deducted from an employee's salary. The error may be found by the employee, the employer, or through the ASRS employer audit process. If you feel an error was made on your account or would like more information, please call the ASRS Member Service Center or contact your employer.

Previously Forfeited ASRS Service Credit

If you were formerly a member of the ASRS and received a return of your contributions when you terminated your employment, you may reinstate (buy back) that service credit. To reinstate this time, you would pay the ASRS the total amount of your return, including any taxes withheld plus the interest the money would have earned if it had remained with the ASRS. Interest continues to accrue on this amount until the date of redeposit. The longer you wait to purchase this type of service, the higher the cost.

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Payment Options

All after-tax payments, requests for payroll deductions, or notifications of intent to roll over funds must be made by the due date on your invoice. You can do this by returning the completed Service Purchase Payment Request form that accompanies your invoice.

Payroll Deductions

You may purchase your eligible service through a Payroll Deduction Authorization (PDA). You can select the amount of each deduction and the number of payments you wish to make, subject to the following minimums per pay period: payments must be at least \$10 and purchase at least 0.1% years of service, and the PDA must be paid off in a maximum of 20 years. Your payments are not subject to current tax withholding and are not taxed until you begin receiving your ASRS pension or obtain a refund. On July 1, 2004, the ASRS began charging 8% interest on PDAs for Service Purchase requests (or recalculations of expired requests) made on or after that date.

After-tax Payments

By the due date on your invoice, you may pay for all or part of your eligible service with after-tax funds. If you want to make additional after-tax payments after the due date, you must request a recalculation of your unpurchased, eligible service. Once you have entered into a PDA, you may NOT make any after-tax payments for the service covered by the PDA while it is still in force.

For members who joined the ASRS on or after July 1, 1999, after-tax payments are subject to the annual limits (highest payment allowed) on contributions to the ASRS contained in §§ 415(b) and (c) of the Internal Revenue Code of 1986. Individuals' after-tax contribution limits vary, depending on certain criteria. The lowest limit, under § 415(c), \$41,000 for fiscal year 2005. If you plan to make after-tax payments in excess of \$41,000 for fiscal year 2005, please contact the ASRS to determine your particular after-tax contribution limit.

Rollovers

By the due date on your invoice, you may request to pay for all or part of your eligible service with a rollover from an eligible plan or IRA. All rollovers must be completed within 90 days from the date your invoice was issued. The ASRS cannot accept payments in excess of the cost to purchase your eligible service. If your rollover is greater than that cost, you may roll any excess monies into another eligible plan or IRA. If you take the excess as a cash distribution, you will be subject to mandatory tax-withholding and any penalties that apply.

Partial Lump Sum Rollovers – For Retiring Members Only

On your retirement application, you may choose to receive a Partial Lump Sum (up to 36 months of pension payments at one time) when you first retire. To apply this money toward a Service Purchase, you must also indicate on the *Partial Lump Sum Retirement Distribution* form that you would like to roll over some or all of the distribution for that purpose.

Note: You may roll over some or all of your Partial Lump Sum to pay for a Service Purchase provided you have an invoice issued within six months of your retirement date.

Lump Sum Termination Pay Paid at Retirement

You may use all or part of your lump sum termination pay (vacation, sick, overtime pay) to purchase new service credit. To choose this irrevocable election, you must complete the *Termination Payment Authorization for the Purchase of Service Credit* form and return it to the ASRS at least three full calendar months prior to your retirement or termination date. (A full calendar month equals the first through the last day of a month.)

You may also use all or part of your lump sum termination pay to purchase the balance of a PDA if you have signed a PDA that includes an irrevocable agreement to use your termination pay to purchase service credit.